

Message Text

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ORIGIN EA-10

INFO OCT-01 SS-15 SP-02 OES-03 H-02 PM-03 SSO-00 ACDA-05

XMB-02 ISO-00 /043 R

DRAFTED BY EA/K:PMAYHEW:CHG

APPROVED BY EA/K - MR O'DONOHUE

OES - JBLOOM

EXIM - MR RENDELL

S/P - MR KALICKI

ACDA/-MR CRUMP

PM - LNOSENZO (PARA 3)

EA/P - MSMITH (SUBS)

----- 019836

O 122351Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY SEOUL IMMEDIATE

C O N F I D E N T I A L STATE 055955

E.O. 11652: GDS

TAGS: PARM, KS

SUBJECT: EXIM FINANCING OF KORI II; STEVENSON HEARINGS

REF: (A) SEOUL 1634; (B) STATE 054656

1. ARRANGEMENT OUTLINED REF B HAS BEEN REACHED WITH SENATOR STEVENSON AND CONGRESSMAN REES OF HOUSE. EXIM HAS WITHDRAWN ITS NOTICE OF INTENT TO FINANCE KORI II AND SENATOR STEVENSON AND CONGRESSMAN REES HAVE CANCELLED HEARINGS.

2. IN EXPLAINING SITUATION TO ROKG, EMBASSY MAY USE FOLLOWING POINTS:

A. OVER PAST YEAR CONGRESS HAVE BEEN VERY CONCERNED ABOUT POSSIBILITY OF FURTHER PROLIFERATION OF CAPABILITY TO EXPLODE NUCLEAR DEVICES.

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B. ONE RESULT OF THIS CONCERN WAS TO REQUEST THE PRESIDENT

LAST YEAR TO SUBMIT TO THE CONGRESS TWO REPORTS BY THE
END OF APRIL, 1975. THE FIRST OF THESE WAS A REVIEW OF ALL
U.S. LAWS AND REGULATIONS GOVERNING THE EXPORT OF MATERIALS
SUPPLIES AND DATA FOR ANY NUCLEAR FACILITY TO DETERMINE
THEIR ADEQUACY TO PREVENT PROLIFERATION OF NUCLEAR CAPA-
BILITY FOR NON-PEACEFUL PURPOSES. THE SECOND WAS TO RE-
VIEW DOMESTIC AND INTERNATIONAL SAFEGUARDS AND THEIR

ADEQUACY TO PREVENT PROLIFERATION AND DIVERSION OF
NUCLEAR MATERIALS.

C. THE KORI II LOAN WAS THE FIRST LOAN FOR A NUCLEAR
POWER PROJECT (AND IN FACT, THE FIRST LOAN OF ANY TYPE)
TO BE SUBMITTED TO CONGRESS UNDER NEW LEGISLATION
GOVERNING EXIM LOANS.

D. SOME MEMBERS OF CONGRESS FELT THAT NO SUCH LOAN SHOULD
BE APPROVED UNTIL THE CONGRESS HAD REVIEWED THE REPORTS
REQUESTED FROM THE PRESIDENT. KORI II WAS THUS THE FOCUS
FOR AN EXPRESSION OF CONCERN, BUT IT IS ONLY A PART OF A
LARGER ISSUE. -

E. SENATOR STEVENSON THEREFORE RAISED SEVERAL QUESTIONS
CONCERNING KORI II AND INTRODUCED HIS RESOLUTION WHICH
URGES "A TEMPORARY DEFERRAL - NOT A PROHIBITION -- OF
THE PROPOSED EXIM BANK TRANSACTION."

F. IT WAS CLEAR THAT THE CONGRESS WOULD NOT ACT FAVORABLY
ON KORI II UNTIL THE PRESIDENT'S REPORTS WERE RECEIVED.

G. THEREFORE, TO AVOID HEARINGS AND ACTION WHICH MIGHT
PREJUDICE EXIM'S ABILITY TO GAIN EVENTUAL CONGRESSIONAL
APPROVAL OF KORI II, EXIM DECIDED TO TEMPORARILY WITH-
DRAW ITS NOTICE TO THE CONGRESS OF INTENT TO APPROVE
KORI II LOAN. -

H. EXIM STILL HOPE TO FINANCE KORI II AND HOPE THAT THE
DELAY IN ITS APPROVAL WILL ONLY BE A MATTER OF MONTHS.

I. KOREA'S VERY TIMELY RATIFICATION OF THE NPT WILL BE AN
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IMPORTANT FACTOR IN EXIM EVENTUALLY GAINING CONGRESSIONAL
AGREEMENT TO FINANCE KORI II.

3. IN REGARD TO PARA 2 REF A, YOU MAY NOTIFY ROKG THAT
EXIM INTENDS MAKE FOLLOWING RESPONSE WHICH HAS BEEN
SLIGHTLY MODIFIED FROM EARLIER STATEMENT AND HAS INTER-
ABENCY CLEARANCE: QUOTE AT THE PRESENT TIME KOREA PRO-
DUCES NO NUCLEAR FUEL AND DOES NOT NOW POSSESS A REPRO-

CESSING CAPABILITY. HOWEVER, WE UNDERSTAND FROM INDUSTRY SOURCES THAT KOREA IS IN THE PROCESS OF ACQUIRING A PILOT FUEL REPROCESSING PLANT AND A FUEL FABRICATION PLANT, BOTH OF WHICH WOULD BE PLACED UNDER IAEA SAFEGUARDS UPON ROK RATIFICATION OF THE NPT. FUEL CORES, ETC. UNQUOTE.

4. IN RESPONSE PRESS QUERIES HERE WE WILL BE DRAWING ON POINTS ABOVE WITH EXCEPTION OF G AND I. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: US CONGRESSIONAL HEARINGS, KORI II, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ellisoob
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE055955
Document Source: CORE
Document Unique ID: 00
Drafter: PMAYHEW:CHG
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750105-0990
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750357/aaaabywr.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 SEOUL 1634, 75 STATE 054656
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by ShawDG>; RELEASED <09 APR 2003 by KelleyW0>; APPROVED <17 SEP 2003 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXIM FINANCING OF KORI II; STEVENSON HEARINGS
TAGS: PARM, KS, XMB
To: SEOUL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006